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Review of the regional cooperation framework for the Arab States, 1997-2001

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Introduction

1. The mid-term review of the first regional cooperation framework (RCF) for the Arab States, 1997-2001, was carried out in accordance with Executive Board decision 97/9 of 14 March 1997. The main reference documents in the course of the review were the implementation strategy for the first RCF for the Arab States (DP/1998/7) and the 1999 results-oriented annual report (ROAR) (DP/2000/8). The 2000-2003 regional strategic results framework (RSRF) provided insights into longer-term planning of the regional activities. A team of independent consultants undertook the review of the regional programme from 30 May to 3 July 2000. In this process, they were briefed at UNDP headquarters and visited five countries in the region (Egypt, Lebanon, Morocco, United Arab Emirates and Yemen). The present report reflects a number of critical findings and recommendations of the review and contains suggestions for key directions that UNDP should take in accordance with the findings and recommendations of the review.

I. The regional context

2. Since the approval of the first RCF (DP/RCF/RAS/1), a fair amount of progress has been recorded in the development situation in the Arab States. The increase of the price of oil raised the gross national product (GNP) of the oil-producing countries and resulted in a positive ripple effect throughout the Arab economies. The Arab States created the Arab Free Trade Area with the goal of eliminating tariffs in intra-Arab trade by the year 2008. More Arab States joined the World Trade Organization (WTO) and signed association agreements with the European Union. The privatization and liberalization of markets have been progressing steadily in several Arab economies. Political developments in Somalia promised more security and stability in this part of the Arab region.

3. Obviously, the programme has not been in operation long enough to record a significant change in many other areas crucial from the point of view of human development. The high rate of population growth (2.8 per cent) continued to be translated in many parts of the region into strong pressure on social services, including education, and into a very high level of unemployment (in many countries, 15 per cent and higher), especially among the young population. Literacy remained at 59.7 per cent. Non-oil related export-led economic growth had yet to emerge from successful trade negotiations in most of the region. Countries that opened up their trade markets encountered new capacity problems, when institutions of all kinds started to deal with new obligations and challenges. The inefficiencies of large public sectors kept mortgaging many Arab economies. Capital formation persisted at a low level. War and internal strife continued to mar economic growth and human development in several Arab societies. Hopes for comprehensive peace have not materialized in the Middle East.

4. The region remained diverse. The *Human Development Report 2000* places four Arab countries in the high human development category, 11 in the medium development category and three in the low human development category (no data for Somalia are available; in the case of Iraq, no current data are available). In terms of GNP per capita, there is a 20:1 gap between the country with the highest income and that with the lowest income. Adult literacy rate per country varies between 88.6 per cent and 44.1 per cent. While precise data are not readily available, some 35 to 40 per cent of the Arab population is believed to live in poverty; the key social and economic indicators for Arab women continue to lag behind those for Arab men.

5. At the same time, 14 Arab countries are lower in their global human development index (HDI) ranking than in their GNP per capita ranking. This proves the existence of great human development potential throughout the region.

6. Access to information and communication technology (ICT), capacity for technology creation and adaptation, capacity for production and export of knowledge-rich products and services have become important new indicators for measuring success in the global, networked economy. Connectivity, including the Internet, has grown unevenly in the region as has computer literacy. The availability of useful content and applications, especially in Arabic, has become a matter of concern. Highly educated, computer literate, skilled labour has joined water, rainfall, and arable land as the scarcest resources in the region.

7. Against this background, the main thrust of the RCF remains valid. Policy formulation for reducing poverty, creating quality jobs, facilitating the gainful connection of national economies with the global economy, making ICT affordable and accessible, and strengthening key capacities and institutions are among the challenges that it addresses via regional cooperation. In doing so, it caters to subject-specific, supportive constituencies in the region.

II. The regional cooperation framework

8. The regional cooperation framework, as endorsed by the Arab Governments and approved by the Executive Board, is built on a two-pronged approach. On the one hand, it pursues building regional capacity for increased efficiency in the use of economic resources and integration with the global economy. On the other, it pursues optimizing conditions for human development, with a special focus on poverty eradication. It clusters seven themes under these two umbrellas. The first one features social and economic reform and multilateral economic cooperation; micro-finance; the sustainable provision and use of energy. The second one features governance for social development; food security; building the capacity of the Arab workforce for the information-based economy; and the sustainable management of natural resources with a special focus on water. Thus, the thematic scope of the programme is broad. Both shortage of financial resources in the regional programme and pursuit of measurable impact seem to make a convincing case for consolidation.

9. Between September 1997, when the RCF was approved by the Executive Board and June 2000 (time of the mid-term review), the core resources available to the regional programme fell by 30 per cent. In addition, the mobilization of non-core funds, mainly from the partner organizations, has not reached the projected amounts. As a result, the regional programme had to scale down its financial scope to approximately 60 per cent of the planned level.

10. With the above financial situation as the major factor, over the past three years a de facto consolidation of the programme has occurred. Under two of the above themes (food security, natural resources), no new projects have been approved. Three of the above themes (micro-finance, sustainable energy, capacity of the Arab workforce) were pursued on the basis of a single project each, with the last one limited to preparatory assistance. The bulk of resources were directed towards support to social and economic reform and multilateral economic cooperation as well as to governance for social development. With the approval of the regional governance programme, in financial terms, the latter became the leading theme in the regional programme.

11. In terms of the number of projects, the RCF stayed within the limits adopted in the implementation strategy. While in June 2000, there were 43 open projects in the regional programme, only 28 of them were active. The rest were projects at the end of their operational life or waiting for financial closure. Fifteen of the active projects were approved since the start of this regional programme (January 1997) with an additional five having started in the second half of 1996.

12. The traditional reasons for a regional approach to solving development issues (e.g., shared need and/or shared interest among partners in a region, cost-effectiveness, opportunity for region-wide learning) have been pursued and exploited by the programme. There could be even more value added if steps were taken to place it strategically among initiatives of different partners in the region and if the cross-cutting nature of many of its own initiatives were capitalized. Current activities in the area of micro-finance, trade negotiations, support to micro-enterprises and to small and medium-size enterprises (SMEs) and support to raising the quality of the Arab workforce seem to offer such opportunities.

III. Regional programme performance

13. In the course of the review, the performance of the programme was measured against the expected results listed in the implementation strategy for the first RCF. The 1999 ROAR provided complementary guidance. It can be concluded that the programme was instrumental in providing solutions and producing outcomes helpful in moving forward the cause of human development in the Arab States. It also provided forums for regional debates and advocacy in quite a number of important areas (e.g., globalization, information revolution, and governance). These were especially significant from the point of view of shaping

the future regional development agenda as well as a framework for future UNDP cooperation with the region. It may only be regretted that the lack of stability and peace in parts of the region has curbed the momentum and ultimately the impact of some of its initiatives.

A. Achievements

14. In the area of social and economic reform and multilateral economic cooperation, the programme contributed to the better operation of markets in the Arab region and to making them more accessible to larger segments of the population. It was designed to respond in a flexible way to the changing regional demand. During the reporting period, trade negotiations remained very high on the regional agenda. As a result of programme activities, several countries were able to negotiate with WTO and the European Union from a position of greatly expanded technical knowledge and skills. Other achievements of the programme comprised, inter alia, lower transaction costs due to reconciliation and simplification of the existing laws; women entrepreneurs with skills that allow them to compete in the private sector; strengthened credit insurance systems; deeper understanding of the Islamic banking practices; and the increased transparency of the stock exchange operation. All in all, in 14 countries of the region, 27 diverse requests for technical cooperation were met. The programme also raised understanding among the participating countries of their respective positions vis-à-vis WTO-related matters, including the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement. Public trade administrations and private business organizations acquired staff with raised levels of skills in trade negotiations; trade and environment; protection of intellectual property; trademarks; technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS); and investment promotion. An environment for lowering transaction costs was created via strengthening the trade points throughout the region and developing a module for e-commerce. In the course of four regional buyers-sellers meetings, sectoral networks of SMEs were created and, in this process, a regional intergovernmental organization acquired the capacity to continue organizing such meetings on its own. The Intra-Arab Trade Information Network that has been established through a regional project connects government agencies and private businesses in 19 Arab countries and now operates without external assistance. These two major trade facilitation initiatives were instrumental in enhancing intra-Arab trade. Finally, as a result of cooperation with the World Intellectual Property Organization, the concerned public and private organizations can act now from a position of much deeper understanding of the rules and requirements in the area of the protection of intellectual property. The countries in the region recognize the programme as an initiative that has enabled them to understand better and subsequently to react in a well-informed way to the many complex trade issues. This has been the prevailing sentiment expressed during the programme review meeting with government and business counterparts, who requested the continuation of the programme. If activities of this kind are continued, key factors to watch are: a mechanism for capturing changing demand; quality of inputs and the speed of their delivery; involvement of the private sector; region-wide learning/information-sharing; and the mobilization of financial resources.

15. In the area of micro-finance, the programme activities have introduced to the region examples of sustainable micro-credit operation and as such, they have become instrumental in benchmarking this sector in the Arab countries. Following the MicroStart methodology, with technical expertise provided by Save the Children and the Alexandria Business Association, pilot operations were established in Bahrain, Morocco and Yemen. They are on target as to the outreach and gender composition of beneficiaries. They provide loans to more than double the number of the initially targeted beneficiaries. Additionally, the programme provided a baseline study of the micro-credit sector and a number of useful tools. The regional forum on micro-finance (Marrakech, 1997), co-funded with the World Bank, mapped the sector in the region. This cooperation also resulted in three studies: on the application of Islamic banking principles in micro-finance; inclusion of sustainable micro-finance projects in development on a spin-off basis; and on commercial banking and micro-finance. The technical study on the application of Islamic banking principles to micro-finance is the first of its kind in the Arab world. It has the potential to facilitate the expansion of the micro-finance sector in many parts of the region. The programme faces challenges on two levels; to achieve the full sustainability of local NGO counterparts will come only with overcoming greater than expected gaps

in skills and internal governance. On the side of building regional capacity, the programme is faced in the region with many competing activities. There is a definite need for cost-effective training within the region for micro-finance personnel.

16. In the area of sustainable energy, three clusters of interested countries have been established. In the areas of energy efficiency, integrated resource planning and renewable energy, they are led by Egypt, Jordan and Morocco, respectively. Energy audits have been carried out in five countries. Integrated resource planning studies have been conducted for three countries and presented in a regional workshop for region-wide learning. Testing renewable sources of energy in remote, poor areas and commercializing the solutions with the help of local SMEs has also been attempted. The latter component appears to be a potentially useful element of a poverty-reduction strategy for the whole region. Overall, success and sustainability of such initiatives, useful as they are, seem to depend on follow-up, something that is beyond UNDP control. It should also be borne in mind that other donors, including GEF, are already engaged in similar parallel activities. The project should end its activities in a way that ensures maximum sustainability; passing on its results to the GEF-funded programme should be considered.

17. In the area of governance for social development, with an emphasis on poverty eradication, one facet of the programme was advocacy and the development of tools for policy analysis and development. The programme succeeded in adopting a regional approach to looking at complex social issues. The regional strategy for poverty reduction outlined in the UNDP publication "Main elements of a strategy to eradicate poverty in the Arab States" (1997) has become a useful tool for advocacy, policy analysis and policy development; so, too, have the national human development reports (NHDRs) in 16 Arab countries, most with a focus on poverty-related themes. A regional workshop trained Arab institutions engaged in the preparation of NHDRs in best practices in this area (Bahrain, 1998). Additionally, cooperation with the League of Arab States and the Economic and Social Commission for Western Asia (ESCWA) used elements of human development advocacy in projects implemented by them to open up forums for region-wide discussion of these issues. In the area of advancement of women, the programme has enhanced the database for discussion of gender issues. In cooperation with the Arab Gulf Programme for United Nations Development Organizations (AGFUND), it has supported the Centre for Arab Women Training and Research in Tunis in producing a major advocacy and policy development tool, the Arab Women Development Report. This report promises a unique, until now untried, use of the HDR methodology for region-wide, gender-sensitive analysis and advocacy. In addition, ESCWA has been commissioned to establish capacity in nine Arab countries for gathering gender-sensitive statistical data. A by-product of this initiative, the Arab Women Statistical Survey (1998), has become a reference book for Governments and civil society organizations. The regional programme also administered global funds relating to the Poverty Strategies Initiative (PSI) and the 20/20 initiative. The second facet of the programme was creating forums for discussing governance and human rights issues as well as facilitating access to knowledge in these areas. It has enlivened and made better informed the regional debate in this area. It supported five major regional meetings dealing with these matters, e.g. workshop on governance for social development (Beirut, 1997); meeting on education about human rights in the Arab countries (Rabat, 1999); emerging democracies forum (Sana'a, 1999); symposium on human right to development (Cairo, 1999); workshop on strengthening the role of Arab legislatures (Beirut, 2000). It is translating into Arabic the document "Administration and Cost of Elections" (ACE). It is in the process of developing a web site that will provide rich content, i.e., information, documents, and studies on major governance-related subjects in the region. There are a lot of diverse achievements on which to build in this programme. Social aspects of globalization appear to be a central theme that may provide the needed focus.

18. In the area of building the capacity of the Arab workforce for the information-based economy, the work has not progressed beyond preparatory activities. A workshop on jobs in the information society of the twenty-first century was held in Damascus in 1999, where a matrix of steps for effective transition to a knowledge-based society as well as a concept of future fully fledged initiatives were developed. The workshop provided a platform for introducing South-South exchange of expertise in a technically advanced area (Internet connectivity, transition to a knowledge society). The understanding of issues and needs at hand was deepened by discussion in two related regional

forums: the Arab ministerial conference on sustainable growth in the Arab States (Sana'a, 1997) and the regional forum on the Arab world and globalization (Tunis, 1999). The impact of this advocacy differs from country to country. For instance, the preparation for the workshop in Damascus created in several countries an opportunity for nation-wide strategic development debate and resulted in national strategy outlines. At the regional level, identifying and bringing together a very diverse community of practitioners has created a strong dynamic for joint initiatives. In view of the continued demand for regional cooperation in this area, quick, effective follow-up seems warranted.

19. In the area of sustainable management of natural resources, with a special focus on water, the programme funded intergovernmental dialogue and subsequent technical work that have led to drafting the Nile River Basin Cooperative Framework. This followed the decisions adopted by the Council of Ministers of the Nile Riparian Countries in Arusha (1995) and was accomplished in cooperation with the regional programme for Africa. In the process, the UNDP-World Bank International Waters Partnership was established, with a UNDP staff member located with the Bank in Washington. The programme tapped UNDP expertise in supporting complex international water negotiations and successfully availed itself of the South-South exchange of experience. The dialogue and its results have already introduced positive changes to perceptions about the chances of and benefits from Basin-wide cooperation that have prevailed in the capitals of the riparian countries for decades. It made future negotiations feasible and opened up opportunities for external funding of regional and subregional development projects in the Basin. The programme also continued cooperation with the World Bank, the European Union and the European Investment Bank in the Mediterranean Environment Technical Assistance Programme (METAP). A joint regional facility was established in Cairo. UNDP helped to establish and/or supported four networks in the Mediterranean: the environmental focal points; cities; media, and environmental hot spots. The focal points network brought to bear a working-level dialogue of public agencies on the protection of the shared natural resource. The network of Mediterranean cities became self-sustainable. Participatory methods of dealing with environmental hot spots were introduced to the region and created an accepted standard for approaching these issues in future. Additionally, the programme was instrumental in knowledge-sharing among the METAP partners in the Mediterranean, a function that can be expanded through follow-up activities similar to those of the subregional resource facilities (SURFs). Depending on the future focus of the regional programme, results achieved in both subregions are substantial and offer good basis for continued UNDP involvement.

B. Indicators and success criteria

20. The implementation strategy for the first RCF for the Arab States ties objectives to expected results and as such is a very welcome step towards measuring the impact of the regional programme. The SRF (2000-2003) provides such a framework for the future. For the purpose of this review, it should be noted that as described in section III.A above, the regional programme in its consolidated form has achieved the expected results listed in the implementation strategy or is well on its way to achieving them. As a rule, these expected results have been reflected in the project design. At the same time, the ongoing evaluation exercises and development of future initiatives should take full advantage of the work that UNDP has conducted over the past three years in the area of defining benchmarks and indicators of success. Training in this area for UNDP staff involved in regional programme operations as well as for the regional programme counterparts in the region is recommended.

C. Links with country and global programmes

21. Several initiatives in the regional programme have been designed either to provide, via regional cooperation, tools at the country level or to achieve the double goal of meeting country-specific needs and promoting region-wide learning from experience. The regional strategy for poverty alleviation or for building regional capacity for the application of the human development report methodology can serve as an example of the former. Country windows in the trade, micro-finance, energy, poverty programmes are examples of the latter. In the regional approach to a problem, virtuous cycle can be created by testing solutions and learning from experience at the country level and then engaging in a region-wide learning to

enrich the regional approach to the problem. This circle has been working well in the regional programme. However, there are a few projects where region-wide learning clearly needs improvement. The time and resources left until the end of the programming period should be used to rectify this situation. Information technology enables the creation of knowledge-sharing communities led by a technically advanced mentor. This is a modality worth looking into while designing future regional programmes, especially its links with the country operations.

22. The regional programme enjoyed strong support from the Bureau for Development Policy (BDP) and benefited from experience gained through UNDP global programmes. This applied, for example, in the area of poverty reduction, in developing the regional poverty alleviation strategy, administering the Poverty Strategies Initiative and the 20/20 initiative and in supporting the development of an outline for the World Solidarity Fund, a global initiative of the Government of Tunisia. In the area of protection of natural environment, it concerned inputs into the negotiating process by the Nile riparian countries and very close collaboration with Capacity 21 in METAP. In the area of energy, the regional programme relied on BDP technical expertise in all its tripartite review meetings. In the area of information technology, the experience of the global Information Technology for Development Programme was indispensable in all regional programme initiatives. Finally, the regional governance programme was designed with due account of the global experience in this area.

D. Partnerships and resource mobilization

23. In search for institutional capacity and regional expertise, UNDP has started to broaden its circle of regional partners to include think tanks. It also established project-based cooperation with the League of Arab States (in the present programming period, UNDP signed an agreement on cooperation with the League), ESCWA and the Economic Commission for Africa (ECA), especially in the area of follow-up to the United Nations global conferences. It cooperated with AGFUND in the area of women in development; with the Arab Trade Financing Programme, the Arab Industrial Development and Mining Democracy and Electoral Assistance in the area of elections and civil society; as well as with the Arab Industrial Development and Mining Organization in the area of trade facilitation; with the Office of the United Nations High Commissioner for Human Rights in the area of human right to development; with the World Bank, the European Union and the European Investment Bank in the protection of the natural environment in the Mediterranean.

24. The quality of partnerships seems as important as their number and diversity. Most of the above partnerships were established with a view to co-funding project activities. Moving them towards policy dialogue, joint programming, and the development of a shared regional agenda may prove instrumental to increased resource mobilization, as may broadening the circle of partnerships to include Arab financial organizations. Both constitute a challenge for the management of the Regional Bureau for Arab States (RBAS).

IV. Management

25. At the programme and project level, broadening the consultative process is advisable. The current regional programme benefited at its design stage from consultations with Arab Governments, Arab intergovernmental organizations, United Nations organizations and UNDP country offices. The inclusion of civil society organizations, especially academia and think tanks as well as business organizations should be considered. In this context, it is commendable that RBAS intends to establish a representative regional consultative group to seek advice from the region in planning its strategic initiatives, including the next regional programme.

26. In two previous budget strategies, RBAS dealt with the reduction of posts at headquarters by dismantling in 1997 the division dealing with the management of the regional programme and scaling down the number of the regional programme staff. The system of PPRs covered several projects only. This overstretched the management capacity of the regional programme. The situation was rectified in January 2000 with the recreation of the Regional Programme Division, staffed by three senior professionals. Starting in 2001, RBAS intends to implement the leaner headquarters policy without jeopardizing its capacity to manage the regional programme effectively. A mix of staff capacity at headquarters and close cooperation with the country offices is foreseen. This will include,

inter alia, revival of the PPR system by basing it on responsibility that is underpinned by authority.

27. Most of the regional projects have been executed by the United Nations Office for Project Services (UNOPS). The use of STS funds and close cooperation with the technical side of UNDP (BDP) supplemented its substantive capacity. Both at headquarters and in the field, the level of satisfaction with UNOPS operational capacity and performance is very high.

28. Participatory project oversight and management mechanisms have been present in all major initiatives. However, in a number of projects, they are cumbersome and the modality of choice for them continues to be periodic meetings — as a rule, a time-consuming and costly approach. These have to be simplified. The successful experiment with conducting an electronic tripartite review is worth broader application.

V. Conclusions and recommendations

29. There are numerous specific conclusions and recommendations throughout the report. RBAS should develop a plan to implement them, thereby using the time remaining to the end of the programming cycle to maximize return on the financial resources invested in the ongoing initiatives.

30. More general recommendations include:

(a) The new regional programme should concentrate on issues arising from globalization, especially on the social aspects/social costs of globalization, including poverty and unemployment as well as their implications for governance;

(b) The new regional programme should also relate to the emerging themes in the current United Nations agenda for the twenty-first century, especially, as appropriate, in the area of information technology for development, peace-building and poverty reduction;

(c) Whenever appropriate, a subregional approach to technical cooperation and South-South cooperation should be pursued in view of its successful application in the current programme;

(d) In the ongoing regional programme, the de facto consolidation should be carried forward by a choice of priority goals for new funding that would take into consideration the likely focus of the new regional programme;

(e) The substantive capacity at the disposal of UNDP in the region, including that in the regional programme needs to be strengthened;

(f) A strategy for partnership-building and resource mobilization should be developed and implemented. It should look beyond the monetary goals established for the current regional cooperation framework and aim at high quality of partnerships;

(g) A quarterly or six-monthly newsletter on the progress of the strategic initiatives of UNDP in the region should be distributed to all stakeholders.

Annex

Financial summary

Region: Arab States
RCF period: 1997-2001
Period under review: 1997-1999

	Regular resources		
	Amount originally assigned[a]	*Amount actually assigned*[b]	*Actual expenditures 1997-1999*
Programme areas	(Thousands of US dollars)		
Social and economic reform and multilateral economic cooperation	5 500	3 774	3 144
Micro-financing	2 500	1 714	1 429
Sustainable provision and use of energy	1 500	1 029	857
Governance for social development, with an emphasis on poverty eradication	9 000	6 173	5 142
Food security	4 262	2 924	2 436
Building the capacity of the Arab workforce for the information-based economy	3 500	2 400	1 999
Sustainable management of natural resources, with a special focus on water	7 000	4 800	3 998
Subtotal	**33 262**	**22 814**	**19 005**

	Other resources		
	Amount originally assigned[a]	*Amount actually mobilized*[b]	*Actual expenditures 1997-1999*
Programme areas	(Thousands of US dollars)		
Social and economic reform and multilateral economic cooperation	1 200	165	165
Micro-financing	2 000	275	275
Sustainable provision and use of energy	3 000	413	413
Governance for social development, with an emphasis on poverty eradication	–	–	
Food security	–	–	
Building the capacity of Arab workforce for the information-based economy	–	–	
Sustainable management of natural resources, with a special focus on water	14 000	1 926	1 926
Subtotal	**20 200**	**2 779**	**2 779**
Total	**53 462**	**25 593**	**21 784**

[a] Amount assigned in the RCF implementation strategy document for the period 1997-2001.
[b] Amount actually assigned for the period 1997-1999.